

# How Can Local Manufacturing Improve Economic Sustainability?

## Saint Brissant: a case study of local manufacturing in Spain

Karaosman H<sup>1</sup>, Morales-Alonso G<sup>2</sup>, Grijalvo M<sup>3</sup>

### Abstract

Fast-fashion retailers and mass production dominate the fashion and apparel industry. Increased globalization, labor intensity and outsourcing to developing countries are fostering the interest in sustainability within the industry. There is a growth of a new movement attempting to offset the demand for fast fashion, "Slow Fashion" movement. Slow fashion is not time-based but quality-based approach in which designers, buyers, retailers and consumers are more aware of the impacts on workers, communities and ecosystems (Fletcher 2007). European Union has also some critical targets to reach by 2020. Spain, specifically, has to meet some requirements in terms of economy and sustainability. This exploratory study analyzed how slow fashion concept, precisely manufacturing locally, could improve economic development. Local manufacturing, its impact on economic development and the challenges of Spanish market are illustrated through a case study of one Spanish fashion brand, Saint Brissant.

**Keywords:** Local manufacturing, Slow fashion, Economic development, Sustainability, Spain

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<sup>1</sup>Hakan Karaosman (✉ e-mail: [hakan.karaosman@upm.es](mailto:hakan.karaosman@upm.es))

Department of Industrial Management, Business Administration and Statistics; School of Industrial Engineering; Universidad Politécnica de Madrid (UPM); Spain

<sup>2</sup>Gustavo Morales-Alonso (✉ e-mail: [gustavo.morales@upm.es](mailto:gustavo.morales@upm.es))

<sup>3</sup>Mercedes Grijalvo (✉ e-mail : [mercedes.grijalvo@upm.es](mailto:mercedes.grijalvo@upm.es))

## 1 Introduction

United Nations described sustainability in "Our Common Future" report in 1987. Sustainable Development is to meet present generations' needs without endangering future generations' ability to satisfy theirs (United Nations 1987). On the European level, sustainability is a significant issue. "Europe 2020", European Union's growth strategy, has set sustainability targets to be reached by 2020. Spain is expected to decelerate the unemployment rate, which rose from 8% in 2007 to 26% in 2013 (Central Intelligence Agency 2014). 74% of the 20-64 year-olds is anticipated to employ by 2020 (Europe 2020 2011). To accomplish these goals, new job opportunities should be developed, economy should be fostered and workforce should be improved in Spain. The 2008-2009 financial and economic crisis affected the growth and employment performance of Small and Medium Enterprises (SMEs) in many OECD countries (OECD 2013). Particularly, in Spain, a decline has been recorded. SMEs' employment and value added in Spain declined by about 21% and 24% respectively between 2008 and 2012 (European Commission 2013a). More specifically, at the sector level, the manufacturing sector has been especially hit with a decrease of 30% in value added and number of employees for SMEs between 2008 and 2012 (European Commission 2013b). Manufacturing is an important enabler for both sustainability and globalization (World Economic Forum 2012). The global fashion and apparel industry, on the other hand, is forecast to have a value of \$1.222,7 billion in 2014, an increase of 13.4% since 2009 (Reportlinker Adds Apparel Retail 2010). Despite the economic crises, global fashion industry still gets right. Hence in order to strengthen the European economy and enhance sustainability, manufacturing and the fashion industry should be designed and continued through a sustainable methodology.

Fletcher (2007) formed the term "Slow Fashion". This is a sustainable fashion movement, which gains momentum in order to slow the rate of change for a more sustainable step. By encompassing eco-design, local manufacturing, and conscious consumption, slow fashion concept could empower local economies, boost social conditions and reduce environmental impact (Aakko & Koskennurmi-sivonen 2013). This study aims to explain how to improve local economies through local manufacturing through a case study. The paper is structured as follows: in Section 2, a literature review is presented. In Section 3, research objectives and methodology are introduced. While, the case study is depicted and results are provided in Section 4. Conclusions are presented in the last section of the paper in Section 5.

## **2 Theoretical Background**

### ***2.1 Sustainability and Slow Fashion Concept***

Sustainability creates and maintains the conditions under which humans and nature could occur in a productive harmony, which permits achieving the social, economic and environmental goals (EPA 2011). The fashion and apparel industry contributes to the sustainability challenge in a number of ways. Labor intensity, global sourcing, energy intensity, short deadlines, greenhouse gas emissions, and natural source depletion are some industrial features. (Woo 2013). Therefore, sustainability should be integrated into business models in this industry. Slow Fashion is a new concept based on the sustainable development (Fletcher 2007). Due to the fashion and apparel industry's inevitable impact on sustainability, this new concept seeks ways to create sustainable economies by incorporating good quality, small production lines, local manufacturing and fairer labor settings. Slow fashion process thus encompasses utilizing more environmental friendly raw materials during the **design** phase; reducing waste besides establishing better production schemes based on quality during the **manufacturing** phase and encouraging consumers to consume less during the **consumption** phase (Pookulangara & Shephard 2013). However slow fashion challenges the industry to make an effort to comprise sustainable, ethical and environmental practices. Fashion and apparel brands, mostly fast fashion retailers, aim at reducing lead-time and providing their consumers with fashionable merchandise continuously (Pookulangara & Shephard 2013). Therefore slow fashion seems difficult to be used by various stakeholder groups from retailers to consumers. Nevertheless it could bring significant and enriching opportunities through sustainability.

### ***2.2 Benefits of Slow Fashion Through Sustainable Design, Local Manufacturing, Conscious Consumption***

Through slow fashion concept, local economies could be empowered, social conditions could be enhanced and environmental impact could be reduced. On the whole, sustainability could be further improved. The examples of slow fashion practices mostly come from small scale productions (Aakko & Koskenurmi-sivonen 2013). Energy could be saved at various stages of life cycle, from production to disposal. Using environmental friendly materials and higher quality manufacturing garments could bring some other advantages regarding laundering (washing, drying and ironing) (Karst et al. 2009). Creating local jobs is another important indicator. Due to the nature of fast fashion, consumers are encouraged to purchase and dispose more. In most cases, buying a new garment is cheaper

than repairing the older one. This affects local economies negatively since repair services and local craftsman become less required. Yet through slow fashion concept and utilizing local manufacturing, economies could be fostered.

### ***2.3 Local Manufacturing for Economic Development***

"Europe 2020" is the European Union's growth strategy (European Commission 2011). Within this strategy, five fundamental objectives have been set for 2020. Areas enlist employment, innovation, education, social inclusion and climate/energy. Each of these categories have been adopted for member states (Europe 2020 2011). Specific "2020 Targets" for Spain are as follows; 74% of the 20-64 year-olds to be employed, 3% of the EU's Gross Domestic Product (GDP) to be invested in R&D, greenhouse gas emissions to be 10% lower than in 1990, 20% of energy to come from renewables and 20% increase in energy efficiency (Europe 2020 2011). Therefore sustainability should be a strategic objective for EU as well as for Spain. The manufacturing industry, which is a big driving force in Europe, accounts for 16% of EU's GDP and the main goal is to increase GDP share up to 20% (Flegel 2013). To strengthen the European economy and foster economic development, manufacturing industry should be designed and sustained through a sustainable methodology.

### ***2.4 Spanish Economy and SMEs***

The SMEs are major players in the Spanish economy through their important contribution to the total economic value added and, in particular, to the large share of workforce they employ (European Commission 2013b). According to the European Commission's Small Business Act Report (2013), in Spain, the number of SMEs is 2.239.814 (as a share of 99.9% in Spain vs. 99.8% in EU-27). The SMEs in Spain employ a significant number of people (74.9% vs. 67.5% in the EU), a long way from the level of approximately 60% in Germany and France (Maudos 2013), and they generate more value added as €284 billion (64.8% compared to 58.4% in the EU) (European Commission 2013b). In Spain, the SMEs are mostly from wholesale and retail trade, communication, business services and construction sectors (European Commission 2013b). Spanish firms are specialised in low-tech manufacturing and less-knowledge-intensive services. Nevertheless, new loans to SMEs fell noticeably each year since 2007 (OECD 2013), and since mid-2009 bank credit to the private sector has contracted by 9.2%, a drop of around 172 billion euros (equivalent to 17% of GDP) (Maudos 2013). Therefore, lack of finance is a serious problem in Spain. 27% of the Spanish SMEs declared that this was the biggest challenge encountered. This percentage is relatively higher compared to Germany (10%) or France (13%) (European Commission 2013b).

### **3 Research Objectives and Methodology**

The purpose of this paper is to provide a new understanding into the following research question: "How could local manufacturing improve economic development?". As previously explained, design, manufacturing and consumption constitute slow fashion concept that represents a vision of sustainability (Pookulangara & Shephard 2013). Despite its close relationship, in existing literature few studies examined the slow fashion influence on economic growth. This study attempts to explore how local manufacturing can empower Spanish economy. A case study research is an empirical investigation, which examines a contemporary fact when the boundaries between the fact and its context are not clear (Woodside 2010). Therefore, it could be stressed that case study would be an ideal methodology when an in-depth exploration is required (Tellis 1997). This research conducted a case study for these reasons. Due to its multi-perspectival nature, case study is accepted as a triangulated research strategy that involves some analytic techniques: pattern-matching, explanation-building, and time-series analysis (Tellis 1997). For the purposes and intentions of this research, explanation-building technique was pursued to deeply understand and explain the case in order to answer the research question. In-depth interviews were conducted to gain new insights on outcomes with the aim at understanding the phenomenon and revealing established findings. In order to ensure and increase the credibility and validity of the results, this research utilized data triangulation, which is a method used by qualitative researchers to check and establish validity by analyzing a research question from multiple perspectives (Guion et al. 2011).

### **4 Saint Brissant Case: How Could Spanish Economy Be Improved through Local Manufacturing?**

#### ***4.1 Background***

Spain has faced a continued recession due to the global financial crisis. GDP growth trend, which continued during 16 years, ended at 2009. The unemployment rate rose from 8% in 2007 to 26% in 2013 (Central Intelligence Agency 2014). Spain's budget deficit peaked at 11.1% of GDP in 2009. The country gradually reduced the deficit to 6.8% of GDP in 2013, slightly above the 6.5% target negotiated with the EU (Central Intelligence Agency 2014). GDP was estimated \$1.480 trillion in 2012 and \$1.457 trillion in 2011 (World Bank 2014). With a minus growth (-1.3%) in 2013, GDP accounted for \$1.389 trillion (Central Intelligence Agency 2014). The service sector in Spain was responsible of the 70.8% of the GDP in 2013 while the remaining was shared by the agriculture sector, 3.1%, and the industry sectors, 26% (World Bank 2014; Central Intelligence Agency 2014). Amongst industries, the fashion and apparel industry is one of the most influential

ones due to its global import, export and trade figures. Spanish consumers, on the other hand, have become lower-price seeking, critical and more demanding for a fair balance between price and quality. Accordingly, Spanish manufacturers have begun producing basic lines with lower prices. Therefore, fast fashion and unsustainable manufacturing has been fostered. While SMEs are slowly disappearing, branded stores are becoming widespread through franchising and they conquer the best positions in the Spanish cities (Euromonitor International 2013). Therefore, it can be stated that in order to achieve EU based targets such as reducing unemployment rate, reducing the deficit, and reducing environmental impact; new business models are needed. Innovation, awareness and responsibility should be integrated into business models of fashion companies with an attempt to reach economic growth. Saint Brissant was founded by a group of young entrepreneurs with an unstoppable creativity and love for fashion. Despite all the challenges faced by the industry, the brand was officially launched in September 2011. Saint Brissant is a small sized fashion company located in Madrid, the capital of Spain. Primary business activity is to produce shirts, sweaters and fashion accessories. Saint Brissant's signature designs are 100% handcrafted in order to ensure the highest quality and preserve the uniqueness of designs. One of the objectives of the company is to utilize local manufacturing in Spain as a means to improve Spanish economy. Innovation, creativity and drive for sustainability are essential elements of the business model.

## ***4.2 Results***

After the in-depth interviews with Saint Brissant's entrepreneurs, the following results have been obtained. As previously stressed, local manufacturing could bring further advantages such as having supply chain near by, so that active participation in production phase would be possible. That is, through local manufacturing, the designers of Saint Brissant can monitor and intervene the process while a garment is being produced. Trust and reliable communication was observed as the key outcomes of closely working with manufacturers. When interviewee was asked about operational costs, it was indicated that having garments manufactured in some other yet cheaper countries would be more cost-effective, in spite of diminishing the quality of the final product. Nonetheless, it was articulated that Saint Brissant would keep working with Spanish local manufacturers in order to both foster Spanish economy and provide consumers with the best quality. Another big advantage gained through local manufacturing was to be able to produce in small quantities. Unlike mass production, using local manufacturers in Spain enabled designers to produce continuously in small amounts by preserving quality and style. This is an important indicator for the industry given fast fashion retailers are generally criticized because of their low quality materials. Due to globalization, manufacturers that are located at overseas defeated local manufacturers. Despite the small number of manufacturers located in Spain, Saint Brissant aims to

further collaborate with them. Thus new ways of income generation could be created for local communities. When selection criterion was discussed; manufacturers' service quality, facility location, price range and references were cited.

### ***4.3 Disincentives and Needs***

Saint Brissant dedicated its resources to manufacture locally due to the competitive advantages that it brings, and at the same time because it helps empower local economy inside the country. Subsequent to interview, results stressed that consumer awareness was a big challenge. Due to the financial crisis, consumers have become more demanding and price sensitive. Self-interest is an important parameter that shape purchasing decision (Pookulangara & Shephard 2013). It was indicated that governmental support would be important to improve designers' and manufacturers' conditions. Despite EU's 2020 target and various incentives, local subsidies and lack of finance were listed as the biggest problems (European Commission 2013b). Existing subsidies or open calls have high standards and therefore for small enterprises requirements are too difficult to be complied with. The interviewee pointed out that SMEs could be encouraged and further supported to achieve sustainability targets. To boost economy and reach economic growth, Spanish government is expected to encourage SMEs, re-arrange regulations and provide more incentives.

## **5 Conclusions**

Due to economic recession, natural resource scarcity and rapid changes in trends, a growing number of people including designers, academicians, practitioners and consumers pay a significant attention to an emerging concept called Slow Fashion (Pookulangara & Shephard 2013). In this study, an attempt has been made to contribute to the literature by investigating how local manufacturing could improve economic development. Saint Brissant is a Spanish SME that manufactures in Spain to (i) ensure its products' high quality and (ii) to empower Spanish economy. Through this case local manufacturing was discussed and challenges as well as outcomes were presented. Not only does local manufacturing ensures to deliver the best quality by utilizing local resources with a rich diversity, but it also boosts Spanish economy by helping create local workforce. However, governmental subsidies and financial aids could be rearranged to better support SMEs. In order to reach EU targets, efforts should be made jointly. Furthermore, culture and awareness are seen as important indicators. Conscious consumption should be transmitted and sustainability should be delivered as a common "language".

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